



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
GREENUP COUNTY
SHERIFF'S SETTLEMENT - 1998 TAXES**

June 28, 1999

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EXECUTIVE SUMMARY
GREENUP COUNTY
KEITH M. COOPER, SHERIFF
SHERIFF'S SETTLEMENT - 1998 TAXES
JUNE 28, 1999

We have completed our audit of the Greenup County Sheriff's 1998 Tax Settlement. The Sheriff maintained his records in a manner that allowed us to efficiently complete the audit. The audit report contains one comment and recommendation concerning the Sheriff's deposits. On March 15, 1999, the Sheriff had a balance of \$585,183 in his 1998 tax account. Of that amount, \$100,000 was protected by the Federal Deposit Insurance Corporation (FDIC) and \$270,000 was secured by the bank with a pledge of collateral. The remaining \$215,183 was unsecured. We recommend the Sheriff require the depository institution to pledge or provide sufficient collateral to secure deposits at all times. We also recommend the Sheriff enter into a written agreement with the depository institution. No other significant items came to our attention during the audit of the Greenup County Sheriff's 1998 Tax Settlement.

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Edward B. Hatchett, Jr. Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable Robert Carpenter, Greenup County Judge/Executive

Honorable Keith M. Cooper, Greenup County Sheriff

Members of the Greenup County Fiscal Court

Independent Auditor's Report

We have audited the Greenup County Sheriff's Settlement - 1998 Taxes as of June 28, 1999. This tax settlement is the responsibility of the Greenup County Sheriff. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Sheriff prepares his financial statement on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Greenup County Sheriff's taxes charged, credited, and paid as of June 28, 1999, in conformity with the basis of accounting described in the preceding paragraph.

Based on the results of our audit, we have presented the accompanying comment and recommendation, included herein, which discusses the following area of noncompliance.

- The Sheriff Should Have Required Depository Institutions To Pledge Or Provide Additional Collateral Of \$215,183 And Entered Into A Written Agreement To Protect Deposits

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable Robert Carpenter, Greenup County Judge/Executive

Honorable Keith M. Cooper, Greenup County Sheriff

Members of the Greenup County Fiscal Court

In accordance with Government Auditing Standards, we have also issued a report dated June 27, 2000, on our consideration of the Sheriff's compliance with certain laws and regulations and internal control over financial reporting.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.

Auditor of Public Accounts

Audit fieldwork completed -
June 27, 2000

GREENUP COUNTY
KEITH M. COOPER, SHERIFF
SHERIFF'S SETTLEMENT - 1998 TAXES

June 28, 1999

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Transferred to Incoming Sheriff	\$ 138,470	\$ 298,493	\$ 834,835	\$ 240,010
Franchise Corporation	82,027	151,161	459,946	
Additional Billings	2,402	4,405	12,013	6,610
Increased Through Erroneous Assessments	13	25	82	23
Penalties	<u>7,585</u>	<u>16,369</u>	<u>45,757</u>	<u>13,221</u>
Gross Chargeable to Sheriff	<u>\$ 230,497</u>	<u>\$ 470,453</u>	<u>\$ 1,352,633</u>	<u>\$ 259,864</u>
<u>Credits</u>				
Discounts	\$ 24	\$ 41	\$ 98	\$ 90
Exonerations	1,885	3,881	11,841	3,241
Delinquents:				
Real Estate	44,257	92,370	268,934	76,082
Tangible Personal Property	1,075	2,512	7,759	1,764
Intangible Personal Property				431
Uncollected Franchise	<u>92</u>	<u>101</u>	<u>512</u>	
Total Credits	<u>\$ 47,333</u>	<u>\$ 98,905</u>	<u>\$ 289,144</u>	<u>\$ 81,608</u>
Net Tax Yield	\$ 183,164	\$ 371,548	\$ 1,063,489	\$ 178,256
Less: Commissions (a)	<u>7,785</u>	<u>15,791</u>	<u>25,158</u>	<u>7,576</u>
Net Taxes Due	\$ 175,379	\$ 355,757	\$ 1,038,331	\$ 170,680
Taxes Paid	173,942	348,517	1,036,330	166,153
Refunds (Current and Prior Year)	<u>1,809</u>	<u>5,407</u>	<u>9,636</u>	<u>5,542</u>
Due Districts or (Refunds Due Sheriff)		(b)	(c)	
as of Completion of Fieldwork	<u>\$ (372)</u>	<u>\$ 1,833</u>	<u>\$ (7,635)</u>	<u>\$ (1,015)</u>

(a), (b), and (c) See Page 4

GREENUP COUNTY
 KEITH M. COOPER, SHERIFF
 SHERIFF'S SETTLEMENT - 1998 TAXES
 June 28, 1999
 (Continued)

(a) Commissions:

4.25% on	\$	732,968
2.5% on	\$	777,677
2% on	\$	285,812

(b) Special Taxing Districts:

Library District	\$	(325)
Health District		(252)
Extension District		(119)
Ambulance District		794
South Shore Fire District		42
Wurtland Fire District		55
Lloyd Fire District		102
Load Fire District		(37)
Maloneton Fire District		2
Oldtown Fire District		16
Little Sandy Fire District		1,164
Firebrick Fire District		13
City of South Shore District		35
City of Greenup District		343

Due Districts or (Refunds Due Sheriff)	\$	<u>1,833</u>
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(c) School Taxing Districts:

Common School	\$	(1,861)
Russell School		(5,765)
Raceland School		(9)

Refunds Due Sheriff	\$	<u>(7,635)</u>
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The accompanying notes are an integral part of the financial statement.

GREENUP COUNTY
NOTES TO FINANCIAL STATEMENT

June 28, 1999

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintains deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to law, the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. As of March 15, 1999, the uncollateralized amount on deposit was \$215,183. The pledged or provided collateral and FDIC insurance did not equal or exceed the amount on deposit. In addition, the Sheriff did not have a written agreement with the depository institution.

GREENUP COUNTY
 NOTES TO FINANCIAL STATEMENT
 June 28, 1999
 (Continued)

Note 2. Deposits (Continued)

The county official's deposits are categorized below to give an indication of the level of risk assumed by the county official as of March 15, 1999.

	<u>Bank Balance</u>
Collateralized with securities held by pledging depository institution in the county official's name	\$ 270,000
Uncollateralized and uninsured	<u>215,183</u>
Total	<u>\$ 485,183</u>

Note 3. Property Taxes

The real and personal property tax assessments were levied as of January 1, 1998. Property taxes were billed to finance governmental services for the year ended June 30, 1999. Liens are effective when the tax bills become delinquent. The collection period for these assessments was January 19, 1999 through April 30, 1999.

Note 4. Interest Income

The Greenup County Sheriff earned \$2,276 as interest income on 1998 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder was used to operate the Sheriff's office.

Note 5. Unrefundable Duplicate Payments And Unexplained Receipts Should Be Escrowed

The Sheriff should deposit any unrefundable duplicate payments and unexplained receipts in an interest-bearing account. According to KRS 393.110, the Sheriff should properly report annually to the Treasury Department any unclaimed monies. After seven years, if the funds have not been claimed, the funds should be submitted to the Kentucky State Treasurer. For the 1998 taxes, the Sheriff had \$2,393 in unrefundable duplicate payments and unexplained receipts. Therefore, the Sheriff should send a written report to the Treasury Department.

COMMENT AND RECOMMENDATION

GREENUP COUNTY
KEITH M. COOPER, SHERIFF
COMMENT AND RECOMMENDATION

June 28, 1999

STATE LAWS AND REGULATIONS:

The Sheriff Should Have Required Depository Institutions To Pledge Or Provide Additional Collateral Of \$215,183 And Entered Into A Written Agreement To Protect Deposits

The Sheriff's deposits were not adequately secured by \$215,183 as of March 15, 1999. Under provisions of KRS 66.480(1)(d) and KRS 41.240(4), banks are required to pledge or provide sufficient collateral for interest-bearing and noninterest-bearing deposits if either exceeds the \$100,000 amount of insurance coverage provided by the Federal Deposit Insurance Corporation. The Sheriff should require the depository institution to pledge or provide sufficient collateral to secure deposits at all times. We also recommend the Sheriff enter into a written agreement with the depository institution. According to federal law, 12 U.S.C.A. § 1823(e), this agreement should be (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Sheriff's Response:

I was under the impression we had one. I will remedy that this year.

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REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Honorable Robert Carpenter, Greenup County Judge/Executive
Honorable Keith M. Cooper, Greenup County Sheriff
Members of the Greenup County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the Greenup County Sheriff's Settlement - 1998 Taxes as of June 28, 1999, and have issued our report thereon dated June 27, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Greenup County Sheriff's Settlement - 1998 Taxes as of June 28, 1999, is free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Greenup County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Honorable Robert Carpenter, Greenup County Judge/Executive
Honorable Keith M. Cooper, Greenup County Sheriff
Members of the Greenup County Fiscal Court
Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
June 27, 2000

